

EXECUTIVE SUMMARY

2011 ACTS AFFECTING ATRS

ATRS closely followed bills that could impact ATRS during the 2011 Legislative Session. ATRS closely monitored 51 bills. Of those 51 bills, 19 became law. ATRS had an 18 bill package. All 18 bills became Acts. ATRS supported one (1) additional bill that also became an Act. ATRS opposed three (3) bills that all died in the Public Retirement Committee. The bills that died in Committee include HB 1040 (forfeit benefits to return to work), HB 1186 (one year separation to return to work), and HB 1262 (forfeit benefits to return to work). This summary provides the title and explains the impact of all 19 bills that became Acts. Some of the Acts have an emergency clause that will become effective July 1, 2011. Some of the Acts have an emergency clause that made the Act effective immediately. One Act, ACT 225 of 2011, had an emergency clause that failed to pass, rendering it, most likely, effective on September 1, 2011. This summary will also explain when the Acts become effective. If the effective date was immediate upon approval, ATRS explains the immediate impact.

ACTS AFFECTING ATRS FROM THE 2011 SESSION

ACTS (19)

ACT 41	Rep. R. Stewart	<i>Financial Accounts</i>	HB 1117
ACT 45	Rep. B. Wilkins	<i>Technical Corrections</i>	HB 1223
ACT 66	Rep. R. Stewart	<i>National Guard Purchase of Service</i>	HB 1111
ACT 69	Rep. L. Carnine	<i>Require Actuarial Cost to Purchase Service</i>	HB 1212
ACT 136	Rep. B. Wilkins	<i>Survivor Annuity Interest – 1 year</i>	HB 1142
ACT 137	Rep. H. Lenderman	<i>Disability/Survivor Eligibility</i>	HB 1143
ACT 138	Rep. L. Carnine	<i>Limit Lookback – 5 years</i>	HB 1147
ACT 162	Sen. J. Hutchinson	<i>T-DROP Options</i>	SB 63
ACT 163	Sen. J. Jeffress	<i>Contract Buyout</i>	SB 68
ACT 224	Rep. R. Stewart	<i>Retirement Rescission</i>	HB 1135
ACT 225	Rep. J. Nickels	<i>Antispiking</i>	HB 1140
ACT 513	Sen. J. Key	<i>ATRS/College Bill</i>	SB 126
ACT 557	Sen. J. Key	<i>Option Beneficiary Designees</i>	SB 120
ACT 565	Rep. A. Kerr	<i>Define Termination</i>	HB 1216
ACT 973	Sen. J. Jeffress	<i>Disability Onset</i>	SB85
ACT 974	Sen. J. Key	<i>160 Days – 1 Year Credit</i>	SB86
ACT 975	Sen. G. Jeffress	<i>ATRS Board Vacancy</i>	SB88
ACT 976	Sen. G. Jeffress	<i>Refund Cancels all Service</i>	SB89
ACT 977	Sen. J. Jeffress	<i>15 Years for Max Death Benefit</i>	SB95

IMPACT AND ANALYSIS OF ACTS AFFECTING ATRS, MEMBERS, AND EMPLOYERS

ACT 41

Bill# **Sponsor Representative R. Stewart**

HB 1117 **An act to permit the Arkansas Teacher Retirement System to create appropriate accounts to properly manage the system; to accurately reflect the accounting of the assets of the system; to allow the Board of Trustees of the Arkansas Teacher Retirement System to create additional accounts as needed; to declare an emergency; and for other purposes.**

Emergency Clause: Effective 2/16/11 – This Act is effective on this date to ensure ATRS accounts are without problems before the end of the fiscal year.

Explanation: This is a simple Act caused by contact with legislative auditors. ATRS had archaic account designations in the law, which were no longer used due to modern accounting principles. This Act simply says ATRS will follow prudent accounting principles and does not have to use the accounts as established by the old law.

The impact upon:

Active members: No impact

Beneficiaries: No impact

T-DROP: No impact

Retired members: No impact

ATRS Employers: No impact

ATRS: Clarifies the right of ATRS to use generally accepted accounts used by retirement systems.

ACT 45

Bill# **Sponsor: Representative B. Wilkins**
HB 1223 **An act to make technical corrections to Arkansas Code Title 24, Chapter 7 concerning the Arkansas Teacher Retirement System; and for other purposes.**

Emergency Clause: Effective 2/16/11 – Act 45 had an immediate effective date to make sure technical corrections and federal law compliance is in place before the July 1, 2011, retirements.

Explanation: This Act is just that, technical corrections and clarification. The changes in this Act do not change operational activity at ATRS but rather cleans up words and the statutes, and puts into the code the actual processes at ATRS. It also references required federal provisions. There is no change to ATRS operations processes or procedures (unless due to federal preemption), but rather clarification of terms in the Technical Corrections Bill.

The impact upon:

Active members: No impact

Beneficiaries: No impact

T-DROP: No impact

Retired members: No impact

Employers: No impact

ATRS: Ensures that ATRS remains compliant with all tax laws and clarifies terms used in the law.

ACT 66

Bill# **Sponsor: Representative R. Stewart**

HB 1111 **An act to allow members of the Arkansas Teacher Retirement System to purchase armed forces reserve Service credit; to allow the purchase of one year of credit in the Arkansas Teacher Retirement System for one year of service in the national guard and armed forces reserve up to a maximum of five years; and for other purposes.**

Emergency Clause: Effective 2/18/11 – This was effective immediately to provide a short window of opportunity for military reservists to purchase time before actuarial costs are required.

Explanation: This is a military service Act that allows members of the military reserve and national guards from other states to also be able to purchase ATRS service. Arkansas previously only allowed Arkansas National Guard service, no out of state national guard and no military armed forces reserve service. In addition, ATRS required five (5) years of part time military service for each one (1) year to purchase, whereas, APERS and others allow one for one. This Act brought ATRS to a one for one basis. After July 1, 2011, all the service will be purchased at actuarial cost, which means ATRS will not have any cost related to these purchases.

The impact upon:

Active members:	Allows members to purchase military reserve and National Guard service in any state, year-for-year, for up to five (5) years.
Beneficiaries:	No impact
T-DROP:	No impact
Retired members:	No impact
ATRS Employers:	No impact
ATRS:	No impact

ACT 69

Bill# **Sponsor: Representative L. Carnine**

HB 1212 **An act to provide that the Actuarial-equivalent shall be used for the purchase of service credit in the Arkansas Teacher Retirement System; to simplify accounting procedures by allowing existing service purchase accounts at the Arkansas Teacher Retirement System to be paid within a time certain; and for other purposes.**

Emergency Clause: Effective 7/1/11

Explanation: This is also one of the most important Acts for ATRS in the Session. Previously, when a member purchased service from ATRS, the average member purchased service at a 55% discount to what the real value was to the member. This Act requires members to pay the real value of this purchased service. In addition, ATRS has hundreds of old purchase accounts that have been inactive for years but cannot be closed down. This Act gives members a year to submit to ATRS a reasonable payment plan to purchase the service. If a payment plan is not provided, the purchase account will be closed. In addition, if the member fails to comply with their purchase plan, the account will be closed. This eliminates purchase accounts over time and creates greater administrative efficiency at ATRS.

The impact upon:

Active members: Members purchasing service will be paying a higher cost to purchase the service in most instances due to the cost being the actual value of service versus an old formula that almost always resulted in a discount to the actual value of service.

Beneficiaries: No impact

T-DROP: No impact

Retired members: No impact

ATRS Employers: No impact

ATRS: No impact

ACT 136

Bill# **Sponsor: Representative B. Wilkins**

HB 1142 **An act to specify that interest on a deceased Arkansas Teacher Retirement System member's accumulated contributions when no survivor annuity is payable ceases after the first full fiscal year following the member's death; to declare an emergency; and for other purposes.**

Emergency Clause: Effective 7/1/11

Explanation: Previously, when a member died, ATRS worked hard to try to find the deceased member's relatives to pay accrued benefits. If a member was not vested, and the member had contributory service, ATRS quickly tried to pay the balance of all contributions and accrued interest. Some families refused to take the payment when ATRS located them because ATRS paid between 2% and 6% per year. This Act saves money and creates administrative efficiency by only paying interest on the July 1 after the member's death, and no more interest thereafter, in order to encourage families to withdraw the residual balance and to prevent large amounts of interest accruing on these residual balances when member's families cannot be located.

The impact upon:

Active members: No impact; member must die before application of this law.

Beneficiaries: If the member was contributory and, at the time of death, had a residual balance, this law will not impact the beneficiary if the beneficiary withdrew the residual balance within a year. If not, interest that once was paid, will no longer be paid on an on-going basis. Plus, in rare instances, if the member and option beneficiary dies before the residual balance is exhausted, the same application to the member balance explained above will occur.

T-DROP: No impact; member must die before application of this law.

Retired members: No impact due to the fact that member must die before application of this law. Most retirees have exhausted their residual balance before death leaving nothing to distribute from the residual balance.

ATRS Employers: No impact

ATRS: No impact

ACT 137

<u>Bill#</u>	<u>Sponsor: Representative Lenderman</u>
HB 1143	An act to allow a member to be eligible for disability benefits, survivor benefits, and lump- sum death benefits under the Arkansas Teacher Retirement System for an additional fiscal year after the last fiscal year of Actual service; to declare an emergency; to authorize the Board of Trustees of the Arkansas Teacher Retirement System to promulgate rules concerning annuity options; and for other purposes.

Emergency Clause: Effective 2/24/11 – The emergency clause is effective immediately to place the ATRS active service definition into the code to prevent confusion.

Explanation: This Act helps put into the code the standard ATRS used for years on what constitutes eligibility for disability and survivor benefits. Since it was not in the law previously, some confusion occurred. This Act allows members to be considered active for one fiscal year after the last year in which they get at least one-quarter year of service credit. This allows a member who has a health difficulty to have an amount of time to determine whether the difficulty is something that can be overcome or whether it will require a disability retirement application. In addition, some members leave and are in the process of applying for disability and may die. This ensures that minor survivors are also covered when the member is still not actively working but recently had worked. Further, this Act allows the ATRS Board to determine when marriage options are available. The previous law was inconsistent and needed significant adjustment and policy consideration. Instead of placing the marriage qualifications in the law, the ATRS Board decided it would be more effective for the Board to consider this change after public input and careful review. Until the Board changes the marriage options, the options will remain in place as they exist.

The impact upon:

Active members:	No impact; codifies current policy
Beneficiaries:	No impact, except for survivors. The law clarifies that a member who is making regular progress to get service in a fiscal year, but death stops continuing services is entitled to a survivor benefit.
T-DROP:	No impact
Retired members:	No impact
ATRS Employers:	No impact
ATRS:	No impact

ACT 138

Bill#

Sponsor: Representative L. Carnine

HB 1147

An act to limit the number of years that the Arkansas Teacher Retirement System, a benefit participant, or an employer may look back when adjusting records, correcting overpayments, correcting underpayments, correcting contribution calculations, or correcting benefit calculations to the system; to declare an emergency; and for other purposes.

Emergency Clause: Effective 7/1/11

Explanation: This is one of the most important Acts of the session for ATRS. Under old law, there was no statute of limitations or administrative end of adjustments to benefits, service credit, or obligations of ATRS, a system employer or a member. It was not uncommon for ATRS to be looking at benefit issues that were twenty-five (25) or thirty (30) years old, such as unreported service or a member overpayment. This type of activity was an administrative nightmare and became a financial nightmare for members and system employers due to compound 8% interest on a 25 year obligation to ATRS. This five (5) year look back Act limits any party's ability to seek adjustments or additional payments or credits if the adjustment sought is more than four (4) fiscal years after the current fiscal year. However, there is an exception for fraud, criminal acts, and intentional concealment, and manifest injustice to provide fairness.

The impact upon:

- Active members:** Errors that previously would be corrected after five years will not be corrected and the member could be positively or negatively impacted for this limitation. The final result is likely a wash.
- Beneficiaries:** The final result is likely a wash.
- T-DROP:** The final result is likely a wash.
- Retired members:** The final result is likely a wash.
- ATRS Employers:** The final result is likely a wash.
- ATRS:** Greatly improves efficiency and allows ATRS to focus on current and future issues.

ACT 162

Bill# **Sponsor: Senator J. Hutchinson**

SB 63 **An act to expand a member's options for distribution of a member's teacher deferred retirement option plan in the Arkansas Teacher Retirement System to include a partial distribution; to include reciprocal service when calculating plan deposits; to declare an emergency; and for other purposes.**

Emergency Clause: Effective 7/1/11

Explanation: This is a cost saving and member oriented Act.

1. First, this Act gives the Board of Trustees authority to clarify how part time T-DROP participants receive T-DROP deposits. Previously, there was no law to give direction on how many T-DROP deposits that a part time member of ATRS can receive in a twelve month period. The Board of Trustees will clarify this after public hearings and analysis on what is appropriate.
2. This Act has a significant cost savings by applying the same reduction for reciprocal years in a system like APERS as a member receives in ATRS. Under old law, an ATRS member with thirty (30) years of ATRS contributory service received 70% of their annuity placed into a monthly T-DROP deposit account. This was based upon a 1% reduction for every year of contributory service in ATRS. If a member had ten (10) years of ATRS service and twenty (20) years of APERS service, under old law, the reduction was only 10%, giving the member 90% of the annuity. This Act changes the law to a 1% reduction for every year in the reciprocal system, thereby, giving a reciprocal member 70% of the deposit instead of 90% in the example above. This saves money and brings equity by treating all years of service equally at ATRS.
3. This Act provides members an option of splitting their T-DROP balance when they retire. Previously, they were required to roll it all to another retirement plan, or to annuitize the entire balance with ATRS. ATRS wanted to give the members the authority to split their balance by leaving 100%, 75%, 50%, or 25% with ATRS to become part of their monthly benefit and roll the remaining balance to another retirement plan. This gives ATRS the ability to keep more balances while, at the same time, giving members more options. The member also has the option of receiving all or a part of their T-DROP balance in a taxable payment from ATRS.

The impact upon:

Active members:	No impact, unless a member who has reciprocal service (ex: APERS) begins T-DROP. The deposit percentage is reduced, as if the service had been in ATRS.
Beneficiaries:	No impact
T-DROP:	Provides new distribution options at time of T-DROP exit. Allows ATRS Board to clarify service requirements for continuing T-DROP deposits.
Retired members:	No impact
ATRS Employers:	No impact
ATRS:	Improves cash flow and lets ATRS counselors provide members more options.

ACT 163

Bill# **Sponsor: Senator J. Jeffress**

SB 68 **An act to specify conditions for calculating service credits under a contract buyout agreement; to declare an emergency; and for other purposes.**

Emergency Clause: Effective 3/4/11 – Effective immediately to prevent members from attempting to negotiate a service credit that was not earned by employment services.

Explanation: There had been some concern due to the short vesting period of ATRS (five years) that some administrators came to Arkansas and fulfilled a two or three year commitment and then had a buyout of their contract paid over two or three years to cover the vesting period necessary to receive ATRS retirement benefits. This Act eliminates this potential loophole by not allowing future service credit unless the member subject to the buyout actually performs onsite employment services. This prevents the contract buyout from establishing service credit when no actual services are performed. This will also be used to prevent settlement spiking by attorneys using settlements and contract buyouts to spread a settlement over three years, thus unfairly spiking a salary above what was actually paid.

The impact upon:

Active members:	No impact, unless a member has a contract buyout that is paid after they terminate actual on-site services.
Beneficiaries:	No impact
T-DROP:	No impact
Retired members:	No impact
ATRS Employers:	No impact
ATRS:	No impact

ACT 224

Bill# **Sponsor: Representative R. Stewart**

HB 1135 **An act to repeal the choice to rescind retirement; to make the Arkansas Teacher Retirement System statutes consistent with other state pension plans; to declare an emergency; and for other purposes.**

Emergency Clause: Effective 7/1/11

Explanation: ATRS was one of the few retirement plans in the country that allowed members to retire and thereafter, change their mind, unretire, and go back and obtain additional service credit. It was an administrative nightmare and was only used by a handful of members a year who walk away after returning to active service under the old law with an enhanced benefit based upon some arbitrage opportunity. This repeals the right of a member to rescind retirement and obtain additional service credit. It should be noted that **ATRS members are already able to return to work and receive both a retirement check and a pay check.** By rescinding they give up a retirement check until they re-retire. Few members would ever want to give up retirement benefits while returning to an ATRS employer unless there were enhanced benefits in store. This Act is a cost saving measure and an administrative efficiency measure.

The impact upon:

Active members: No impact

Beneficiaries: No impact

T-DROP: No impact

Retired members: Now, no retiree will be able to rescind retirement and accrue additional benefits in ATRS after they first retire from ATRS.

ATRS Employers: No impact

ATRS: Improves efficiency in ATRS staff due to complex manual accounting being eliminated by this repeal

ACT 225

Bill# **Sponsor: Representative J. Nickels**

HB 1140 **An act to prevent inequity in the calculation of final average salary by removing the anti-spiking provisions for a major gap of employment under the Arkansas Teacher Retirement System; to declare an emergency; and for other purposes.**

Failed Emergency Clause: **Expected effective date of 9/1/11**

Explanation: An anti-spiking law is a law that is aimed at preventing manipulation of salaries at the end of a career before retirement to greatly enhance retirement benefits. Examples would include large bonuses, and large payments of salary in the last year or two of employment. The anti-spiking law limits the three best salaries to be 120% of each other year-to-year. ATRS imposed a very effective anti-spiking law in 2009. However, ATRS found some issues existed with some part-time employees, in that ATRS previously required full years of service to be used in the calculation of final average salary and some people did not have three (3) or more years of full time service. In addition, since full years were used, often, partial years that were much later, had more salary than full years from ten (10) or more years ago. This Act brings fairness to this process by allowing non-complete years to be used in the final average salary calculation, and also provides that if there is an eight (8) or more year difference between two of the salaries in the anti-spiking calculation, that the anti-spiking formula will not be used to reduce the next salary. This brings fairness in that no one would use a salary-spread eight (8) years apart to spike salary and further, inflation usually represents the difference in salary and not a spike.

The impact upon:

Active members: This will allow certain affected active members who retire after September 1, 2011, to have a higher final average salary when they retire by an adjustment in the application of the anti-spiking formula and in specific instances.

Beneficiaries: No impact

T-DROP: No impact

Retired members: No impact

ATRS Employers: No impact

ATRS: Staff will need to carefully monitor this issue to provide information to members who may need to consider a retirement date after July 1, 2011, due to the late effective date of this Act

ACT 513

Bill# **Sponsor: Senator J. Key**

SB 126 **An act to establish the right of an Arkansas Teacher Retirement System member to remain an active member when employed by an institution of higher education; to enable institutions of higher education to recruit experienced public school employers by allowing the employer to enroll vested members of the Arkansas Teacher Retirement System after July 1, 2011; to provide accurate verification and reporting requirements; to declare an emergency; and for other purposes.**

Emergency Clause: Effective 7/1/11

Explanation: The attorney general issued an opinion in 2009 that made college participation problematic and difficult. This Act greatly reduces the ability of colleges to offer ATRS, while at the same time, allowing colleges to participate in ATRS on a fair but more limited basis. Essentially, this Act provides that all current employees at a college can remain be grandfathered in ATRS regardless of whether full time, part time, or positions they may hold. After July 1, 2011, colleges may only add new employees into ATRS if the employee is already vested with ATRS, a full time employee, and the employee makes an irrevocable election to stay in ATRS while employed at any public college in Arkansas. This Act also prohibits stacking of salary at a college and a public school to prevent an arbitrage against ATRS during a member's last three years of employment by going to work at a college, while employed at a school district and stacking the salaries for a boost in the final average salary.

The impact upon:

Active members:	Will only impact active members who are newly employed at colleges and have less than five years of service. These members will not be allowed to select ATRS as an option.
Beneficiaries:	No impact
T-DROP:	No impact
Retired members:	No impact
ATRS Employers:	College employers will have a change in operating procedures with ATRS
ATRS:	No impact

ACT 557

Bill#

Sponsor: Senator J. Key

SB120

An act to amend the Arkansas Teacher Retirement System statutes in Title 24, Subchapter 7, of the Arkansas code, to clarify the designation of option beneficiaries under the Arkansas Teacher Retirement System; to authorize the Board to promulgate rules concerning option beneficiaries; and to declare an emergency

Emergency Clause: Effective 3/22/11 – This is effective immediately in order to prevent ATRS from having a liability to a person who has no close relationship to the retiring member.

Explanation: This Act addresses a weakness discovered in the law concerning Option A and Option B elections available to retiring members and disability retirees. Almost all the focus on options available at retirement is centered on the spousal options. However, prior to this Act, more than just a spouse could be covered under Option A and Option B at the time of retirement from ATRS. ATRS law allowed an incapacitated child to also be designated with either option. Another very broad class could be designated with either Option A or Option B at the time of retirement. That class was any person over 40 who received half or more of their support for 1 year from the retiring member. The language of concern: **another person forty (40) years of age or older receiving more than one-half (1/2) support from the retirant for not less than one (1) year immediately preceding the first payment due date.**

Importantly, the old law did not require that the person be related to the retiring member, live with the retiring member, or be a dependent of the retiring member. It was difficult for ATRS staff to know how to decide what 1/2 the support was and how to calculate it. Usually any class of people who were given the right to be designed an option were narrowly tailored to prevent anti-selection or an unjustified cost to the system. Options are a cost to the system. Options should always exist to give protection to members and their needs. This Act leaves the existing options available for both spouses and incapacitated children.

This Act repeals the age 40 and half support provision from the law and allows the ATRS Board to decide what additional groups, if any, beyond spouses and incapacitated children, should be allowed to be designated for Option A and Option B. This also allows the ATRS Board to narrowly tailor any addition and make verification of eligibility administratively workable. Any suggested change by the ATRS Board would be reviewed by the General Assembly. Remember, ATRS currently allows a member to designate anyone to receive an Option C benefit. Option C guarantees 120 payments to the member or to the member's designated Option C beneficiary, if the member dies before receiving all 120 payments.

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The Act also gives the ATRS Board authority to consider potential changes to the rights of Option A and Option B beneficiaries of disability retirees. The Act makes no change to the existing law on disability retirees' option beneficiaries but does allow future changes by ATRS Board through rule-making. The reason was to give the ATRS Board authority to look at costs and public policy considerations of the current law. Here is at least one example to consider. If 2 members are both 50 years of age, both are married, and both have 22 years of service, the treatment of their spouses may vary widely based on the timing of their deaths. Assume both learn they are terminally ill. Both apply for disability retirement. One dies before the approval of the disability application. The other dies immediately after approval. The spouse of the first member receives an Option A benefit when the member would have turned 60 (the spouse has a 10 year waiting period, much like Social Security). The spouse of the member who lived to be approved on disability retirement receives Option A benefits immediately without any interruption.

If an active member dies immediately due to an accident or heart attack with the same service and age facts as the 2 members above, the surviving spouse will have the 10-year waiting period.

The impact upon:

Active members:	No impact
Beneficiaries:	Certain people who previously could be designated a beneficiary cannot be designated a beneficiary after the effective date of this Act
T-DROP:	No impact
Retired members:	No impact
ATRS Employers:	No impact
ATRS:	Board may consider new rules allowed by this Act.

ACT 565

Bill#

Representative A. Kerr

HB1216

An act to define "terminate" as that term applies to eligibility for retirement under the Arkansas Teacher Retirement System and to declare an emergency.

Emergency Clause: 3/22/2011 - This Act was effective immediately to ensure the historic ATRS definition of termination is in the code.

Explanation: This Act now defines terminate for ATRS and also specifies what actions are allowed during the termination/separation period. The law makes it clear termination must be complete, the member must remain completely terminated and cannot establish new employment relationships, either directly or indirectly, and any violation of termination or complete separation will result in forfeiture of all benefits paid with a new retirement being required.

The impact upon:

Active members: No impact

Beneficiaries: No impact

T-DROP: No impact

Retired members: The only potential change is that this Act clarifies the historic ATRS position that any ATRS employer, including colleges, are covered by the termination and separation requirements before an ATRS retiree may return to work

ATRS Employers: No impact

ATRS: ATRS staff will need to carefully work with colleges to ensure college human resource staff know that new ATRS retirees are subject to standard termination separation just like at a public school district.

ACT 973

Bill# **Sponsor: Senator J. Key**

SB85 **An act to clarify that the onset of a disability must occur while employed as an active member in order to qualify for disability retirement under the Arkansas Teacher Retirement System; to declare an emergency; and for other purposes**

Emergency Clause: Effective July 1, 2011

Explanation: Currently, a member can separate from ATRS and remain active for up to twenty-two (22) months after separation. Under the old law, the member's disability did not have to begin during employment, but could occur months, or even more than a year later. Example, a member quits working at a school, buys a motorcycle and rides through Central and South America, has a terrible accident in Chile and is now disabled. ATRS would have begun paying disability retirement benefits to that member, and the benefits would be paid back to the first month that member was not employed by an ATRS employer. This Act requires that the member exhibit symptoms of a physical or mental incapacitation while the member is employed by an ATRS employer as an active member.

The impact upon:

Active members:	Must have symptoms or injury that causes disability at the time they are still employed and due to an onset that begins thereafter
Beneficiaries:	No impact
T-DROP:	No impact
Retired members:	No impact
ATRS Employers:	No impact
ATRS:	No impact

ACT 974

Bill# **Sponsor: Senator J. Key**

SB86 **An act to increase the number of days employed to earn credited service under the Arkansas Teacher Retirement System each fiscal year; to declare an emergency; and for other purposes**

Emergency Clause: Effective July 1, 2011

Explanation: This is a cost savings Act. In 1971, ATRS lengthened the days of service for a year of credit from 85 days of service to 120 days. It has not been lengthened since that time, although the school year has been lengthened several times. In order to save money, ATRS now will require 160 days of service for a year of credit versus the 120 days previously required. This will save several thousand service years that are being earned by part time members that will not be earned in the future. For instance, members working less than full time currently receiving a full year of service credit may get three-quarters of a year, members with three-quarters of a year may get one-half year and some members with a half-year of service may only get a quarter-year of service. Importantly, contributory members who do not get at least one-fourth (1/4) year of service credit in a fiscal year may carry forward service days to the next fiscal year to assist contributory members in obtaining service credit. All of this will amount to savings for ATRS and more fairly represent the actual service at a public school in Arkansas.

The impact upon:

Active members:	Must work more days for service credit and gives contributory members the right to carry forward service days if they get less than 40 days in a fiscal year to help them get service credit.
Beneficiaries:	No impact
T-DROP:	No impact
Retired members:	No impact
ATRS Employers:	Employers will no longer have to pay contributions back to contributory members after each fiscal year since the contributory members can carry forward days to the next fiscal year.
ATRS:	No impact

ACT 975

Bill# **Sponsor: Senator G. Jeffress**

SB88 **An act to allow the Board of Trustees of the Arkansas Teacher Retirement System to fill a vacancy for an unexpired term of an elected trustee; to reimburse a trustee for reasonable expenses to attend an official board meeting; and for other purposes**

Emergency Clause: Effective April 1, 2011 – The reason for the immediate effect date is to ensure ATRS has proper authority for all expenditures in this fiscal year.

Explanation: This Act has three main provisions. One, it allows the Board of Trustees to name a replacement Trustee in the event a Trustee dies or becomes ineligible if the Board determines it is best at that time to appoint someone rather than have a special election. Depending upon the position, a special election can cost ATRS \$30,000 or more. The appointment would remain in place only until the next regular election.

Provision two is due to the ATRS Board going to paperless meetings and often ATRS sends hundreds of pages of documents electronically to Trustees to read before a meeting. Some Trustees have limited income and ATRS has paid the cost for high speed internet and wanted to confirm that such was allowed to keep the Board informed. In addition, the Department of Finance and Administration asked ATRS to clarify the right of ATRS to reimburse a teacher trustee for substitute teachers at a district when a teacher attends an ATRS meeting and the district requires the Trustee to pay for the cost of a substitute for their class. These expenses are minimal and are necessary for ATRS operational activity.

The third provision is for the active teacher members of the Board. This provision provides that a school district cannot prohibit them from attending a Board meeting as a Trustee elected by other teachers and that they cannot have a negative job action due to attendance at a Board meeting. This is to ensure that members, who are elected to the Board, are allowed to attend and are not excluded from participating as an ATRS Trustee.

The impact upon:

Active members : No impact

Beneficiaries: No impact

T-DROP: No impact

Retired members: No impact

ATRS Employers: No impact

ATRS: Board can fill a vacancy by Board vote until the next scheduled election.

ACT 976

Bill# **Sponsor: Senator G. Jeffress**

SB89 **An act to clarify that a member who elects to receive a refund of member contributions also elects to cancel any service credit for noncontributory years; to declare an emergency; and for other purposes**

Emergency Clause: Effective July 1, 2011

Explanation: Previously, if a member of ATRS has six years of noncontributory service, and ten years of contributory service, and quit their job and asked for a refund of their contributions, ATRS will refund the contributions, but leave in place the noncontributory service. This meant that this member would actually receive a retirement benefit since they were vested with the noncontributory service. On the other hand, if a member had sixteen (16) years of only contributory service and quit work and asked for a refund, it canceled all service. The purpose of this Act is to provide that if a member asks for a refund, it cancels all service, not just contributory service. This is a cost saving measure that prevents a member from splitting their contributory and noncontributory service in a way to allow them to receive both a refund and a retirement benefit when leaving ATRS employment.

The impact upon:

Active members: No impact, unless a refund is received and the members has 5 or more noncontributory years. If so, a benefit that once would have been paid will no longer be paid.

Beneficiaries: No impact

T-DROP: No impact

Retired members: No impact

ATRS Employers: No impact

ATRS: No impact

ACT 977

Bill# **Sponsor: Senator J. Jeffress**

SB95 **An act to allow the maximum lump-sum death benefit to be paid to members who have accrued fifteen (15) years of contributory service, regardless of noncontributory years of service; and for other purposes**

Emergency Clause: Effective July 1, 2011

Explanation: The ATRS death benefit varies between \$6,667 for totally noncontributory members, up to \$10,000 for totally contributory members. A ratio is established between contributory and noncontributory years and the difference of \$3,333 is prorated between the two. For instance, if a person has ten (10) years of service with five (5) contributory and five (5) noncontributory, the person would receive \$6,667 plus one-half of \$3,333.

Previously, a person with fifty (50) years of service who had forty-nine (49) contributory years and one (1) noncontributory year did not get the full \$10,000 but would get \$6,667 plus 49/50ths of \$3,333. This Act has a cutoff that provides once a member has fifteen (15) years of contributory service, the member is entitled to the full death benefit without reduction, even if the member has noncontributory service.

The impact upon:

Active members:	If eligible for the death benefit and the member has 15 contributory years, then the member's beneficiary gets the maximum death benefit even if the member had noncontributory years.
Beneficiaries:	If eligible for the death benefit and the member has 15 contributory years, then the member's beneficiary gets the maximum death benefit even if the member had noncontributory years.
T-DROP:	If eligible for the death benefit and the member has 15 contributory years, then the member's beneficiary gets the maximum death benefit even if the member had noncontributory years.
Retired members:	If eligible for the death benefit and the member has 15 contributory years, then the member's beneficiary gets the maximum death benefit even if the member had noncontributory years.
ATRS Employers:	No impact
ATRS:	No impact